

**Statement of Work
for
IRS Competitive Sourcing Support
BPA # TIRNO-02-Z-00021**

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SECTION C: DESCRIPTION/SPECIFICATIONS/WORK STATEMENT

C.1.0 Background

The FAIR Act directs Federal agencies to issue each year an inventory of all commercial activities performed by Federal employees, e.g., those activities that are not inherently governmental. OMB is to review each agency's Commercial Activities Inventory and consult with the agency regarding its content. Upon the completion of this review and consultation, the agency must transmit a copy of the inventory to Congress and make it available to the public. The FAIR Act establishes a limited administrative appeals process under which an interested party may challenge the omission or the inclusion of a particular activity on the inventory as a commercial activity. With completion of the inventory, including the challenge and appeals process, the FAIR Act requires agencies to review the activities on the inventory.

OMB issued FAIR Act implementation guidance through revisions to OMB Circular A-76, "Performance of Commercial Activities," and to its Supplemental Handbook. OMB Circular A-76 Transmittal Memorandums 20 and 22 provide further guidance, as does the OMB Deputy Director's Memorandum to Heads of Agencies, dated April 27, 2000. These revisions inform agencies of the FAIR Act's requirements; implement the statutory requirements of the FAIR Act; and place the FAIR Act's requirements in the context of the Federal Government's larger review of its reinvention, competition and privatization efforts. Copies of these issuances are found on OMB's Internet Web site at <http://www.whitehouse.gov/omb/procurement/fair-index.html> and paper copies can be obtained from the Office of Federal Procurement Policy.

C.2.0 Introduction

This Statement of Work (SOW) defines requirements for The Department of the Treasury and its bureaus' compliance with the FAIR Act of 1998 and its implementing guidance contained in OMB Circular No. A-76 (Performance of Commercial Activities). This SOW will present the framework to enable the Department of the Treasury and its bureaus to conduct independent A-76 Commercial Activities Studies. The Department of the Treasury includes 13 bureaus; the following is a list of bureaus and their headquarters locations:

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Contact U.S. Treasury 1500 Pennsylvania Avenue, NW Washington, D.C. 20220 Phone: 202-622-1502 Fax: 202-622-6415	Departmental Offices <u>Office of Public Correspondence</u> 1500 Pennsylvania Avenue, NW Washington, D.C. 20220 Telephone: 202-622-1502 Fax: 202-622-6415
CDFI Fund Department of the Treasury 601 13th Street, NW Suite 200-South Washington, DC 20005 Phone: 202-622-8662 Fax: 202-622-7754	OCC Comptroller of the Currency Washington, DC 20219-0001 Phone: 202-874-5000
USCS U.S. Customs Service 1300 Pennsylvania Avenue, NW Washington, DC 20229 Phone: 202-927-1350 Fax: 202-927-1380	Bureau of Alcohol, Tobacco & Firearms Office of Liaison and Public Information 650 Massachusetts Avenue, NW Room 8290 Washington, DC 20226 Phone: 202-927-7777 Fax: 202-927-7862
BEP Bureau of Engraving & Printing Fourteenth & C Streets, SW Washington, D.C. 20228 Phone: 202-874-2485 Fax: 202-874-3177	FLETC Federal Law Enforcement Training Center Glynco, GA 31524 Phone: 912-267-2100
FINCEN Financial Crimes Enforcement Network 2070 Chain Bridge Road Suite 200 Vienna, Virginia 22182 Phone: 703-905-3770	FMS Financial Management Service Public Affairs 401 14th Street, SW Washington, DC 20227 Phone: 202-874-6740
IRS Internal Revenue Service 1111 Constitution Avenue, NW Washington, DC 20224 Phone: 800-829-1040	Mint U.S. Mint 801 9th Street, NW Washington, DC 20220 Phone: 202-874-6450

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BPD Bureau of the Public Debt 999 E Street, NW Washington, D.C. 20239 Phone: 202-219-3302 Fax: 202-219-4163	USSS U.S. Secret Service 1100 L Street, NW Suite 6000 Washington, DC 20005 Phone: 202-406-8000
OTS Office of Thrift Supervision 1700 G Street NW Washington, D.C. 20552 202-906-6000	

C.2.1 Scope of Work

The scope of this SOW is to provide Contractor support to The Department of the Treasury and its bureaus (hereinafter called the Government). Work covered by this SOW contains a number of tasks that may be ordered by any bureau. Task orders will be issued depending on the level of Contractor support required by an individual bureau. Not all bureaus will require the same level of support.

The A-76 competitive sourcing program requires a standardized, structured process for determining the most efficient and cost effective method of performance for recurring commercial activities that should be operated under contract with a commercial source, in-house using Government facilities and personnel or through Interservice Support Agreement (ISSA). A-76 is designed to allow for a fair and equitable competitive process. The offeror providing the best value solution to the Government PWS competes with the Government's Most Efficient Organization (MEO).

This SOW organizes the A-76 study process into seven broad areas:

1. Competitive Sourcing Program Management Support.
2. Competitive Sourcing Feasibility/Business Case Analysis Support
3. Development of the PWS and QASP Support.
4. Development of the Management Plan Support.
5. Competitive Sourcing Proposal Evaluation Support.
6. Competitive Sourcing Independent Review Support.
7. Post-MEO Performance Review Support.

Before the announcement, the requiring activity(ies) will consider the scope of the study. Specifically, they will consider functions to be studied, the specific set of employees who will be affected, opportunities to fold in similar or related functions on a regional basis,

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and whether multiple activities might be consolidated for treatment in the same study. Consideration of these factors is known as the “business unit definition,” or, “packaging of the study.” Study success and meeting the intent of Circular A-76 often are heavily affected by these considerations.

C.2.2 Competitive Sourcing Contractor Support Guidelines

To mitigate the risk or perception that a conflict of interest exists for Contractors conducting different aspects of the A-76 process; and to ensure that all aspects of the study are carried out on a level playing field, the following guidelines will be adhered to when selecting Contractors to perform competitive sourcing tasks:

Competitive Sourcing Contractor Support Tasks

1. Competitive Sourcing Program Management Support
 2. Competitive Sourcing Feasibility/Business Case Analysis
 3. Develop Performance Work Statement (PWS) and Quality Assurance Surveillance Plan (QASP) Support
 4. Develop the Management Plan Support
 5. Proposal Evaluation Support
 6. Independent Review Support
 7. Post-MEO Performance Review Support
-

Competitive Sourcing Contractor Support Guidelines

1. Overarching Premise: A Contractor may be eligible to perform under any of the above support tasks, provided that such participation does not present any organizational/program conflict of interest.
2. A Contractor performing services under Tasks 1 and/or 2 will not be considered for support in Tasks 3 through 7 for any specific functional area study.
3. A Contractor performing services in Tasks 3 through 7 above will be limited to performance in only one of these categories to support a specific functional area study. For example, a Contractor providing PWS and QASP support (Task 3) will not be considered for participation in Tasks 4 through 7 for a specific study.

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4. A Contractor may participate in multiple support categories, provided that the support is provided on different functional area studies. For example, a Contractor may provide PWS support on an AWSS study, while also providing MEO support on a MITS study.
5. Contractor's past performance on specific tasks will be considered in the evaluation of future task order awards. However, the source selection results/outcome of previous comparison studies in which the contractor participated will not bias the selection criteria for future support efforts.

NOTE: On a case by case basis, a Contractor may be considered for participation in more than one Task for a particular functional area study (e.g. Tasks 3 {Develop PWS & QASP Support} and Task 4 {Develop the Management Plan Support}). The Government reserves the right to request written documentation from the Contractor, providing evidence of internal firewall procedures, internal control procedures, quality control plans, etc. This documentation shall demonstrate that the Contractor has internal mechanisms in place so as to strictly avoid any conflict of interest or even the appearance of a conflict of interest in accordance with FAR 3.1 Safeguards and FAR 9.5 Organizational and Consultant Conflicts of Interest.

C.3.0 Description of Tasks

The following tasks describe the Government's requirements for complying with the provisions of the FAIR Act of 1998.

C.3.1 Task 1: Competitive Sourcing Program Management Support

The Contractor shall provide Management Support in the design and development of the Government's compliance program for FAIR Act/A-76 initiatives.

C.3.1.1 Sub-task 1.1: Identify Inherently Governmental Positions

The "Federal Activities Inventory Reform Act of 1998," P.L.105-270 (the FAIR Act), requires Federal agencies to prepare and submit to OMB, by June 30 of each year, inventories of their commercial activities performed by Federal employees. OMB is required to review each agency's inventory and consult with the agency regarding its content. Upon completion of this review and consultation, the agency head must transmit a copy of the inventory to the Congress and make it available to the public. The FAIR Act then establishes a two-step administrative challenge and appeals process under which an interested party may challenge the omission or the inclusion of a particular activity on the inventory.

The *A-76 Supplemental Handbook* defines an inherently governmental activity as one that is so intimately related to the exercise of the public interest as to mandate

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performance by Federal employees.

Early in the planning process, the Commercial Activities (CA) Program Manager should determine whether particular positions within an activity are inherently governmental. Guidance on inherently governmental functions is provided at FAR 7.5, which implements OFPP Policy Letter 92-1, "Inherently Governmental Functions" (Appendix 5 to the OMB Circular A-76 Revised Supplemental Handbook). An inventory of all functional areas is taken annually in accordance with provisions of the FAIR Act. Although this annual inventory provides a baseline for the functional area inventory, the CA Program Manager should ensure that the inventory data are validated before beginning an A-76 study.

The Contractor shall provide support to the Government in complying with the FAIR Act. The following activities may require Contractor support:

- Determination of "inherently Governmental activities";
- Compilation of annual inventories;
- Creation of Congressionally mandated reports;
- Preparing or researching the defense of challenges regarding an omission of a particular activity from, or an inclusion of a particular activity on, a list for which a notice of public availability has been published under Section 2 of the Act; and,
- Providing ad hoc services, as required.

C.3.1.2 Sub-task 1.2: Plan Commercial Activities Study

The purpose of this sub-task is to develop an *Action Plan* for conducting an A-76 commercial activities study. The plan defines the scope of the study and the key actions required. The Contractor shall provide support to the Government as follows:

C.3.1.2.1 Sub-task 1.2.1: Develop a Communications Plan

Communication with various levels of the organization greatly facilitates the A-76 study. These communications should include information on the A-76 study process, the commercial activity under study, employee rights, union involvement, and periodic updates on the status of the study.

- Develop a Communications Plan - The Contractor shall provide support to the Government in developing a Communications Plan. The plan is a walk through of the A-76 process highlighting responsibility of senior management, key events; and, interface with HRO, unions, and the functional organization under study. The plan at a minimum shall include:
 - Employee groups;
 - Public announcements - both national and local;

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- Communication with national and local union organizations;
- Congressional inquiries;
- News organizations;
- All-hands meetings;
- Customers and suppliers of the activity under study;
- Discussion of alternatives; and,
- Facilitating meetings.

C.3.1.2.2 Sub-task 1.2.2: Create a CA Team

The Government will create a CA team to conduct all activities and functions necessary for successful completion of a CA study, more commonly called an A-76 study. Each task order will identify the CA Team members.

Each Treasury bureau will determine the makeup of the CA team based on the size, scope, and complexity of the function under study. Some CA teams may require more participants than others when the study has national, regional or cross-functional implications. Chart 1 is a suggested CA team organization chart:

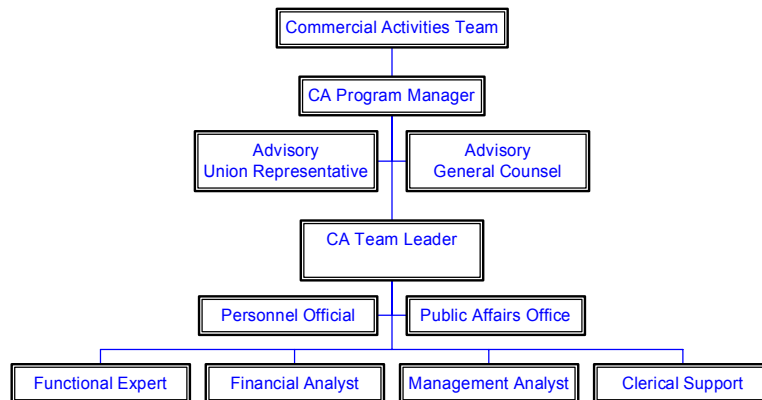


Chart 1

There is no standard size for a CA team. The CA team composition varies greatly with the complexity of the function being studied, the resources available to the CA Program Manager, and the capability of the individual team members.

Representatives of labor organizations may participate as members of agency commercial activities (CA) teams responsible for developing the PWS and the MEO. Participation as full members is permissible as long as each member complies with all rules and policies applicable to all team members. This includes executing nondisclosure statements, if required. Additionally, union representation in communication forums, general interest video teleconferences (VTC), etc., are authorized and encouraged. Section 2467(b) of Title 10, U.S.C., requires the agency to consult at least monthly with employees who will be affected during the development

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and preparation of the PWS and the management efficiency study, and obtain their views. For employees represented by a labor organization, consultation is conducted through the representatives of that labor organization. Pursuant to Part 1, Chapter 1, paragraph G1.a of Circular A-76 Supplemental Handbook, consistent with any procurement and conflict of interest requirements, affected parties have the opportunity to participate in developing supporting documents and proposals, including in-house and contract cost estimates. Further, paragraph G1.b provides that “upon issuance, a solicitation used in the conduct of a cost comparison will be made available to directly affected Federal employees or their representatives for comment.”

Although neither of the provisions described above mandates that labor organizations representing employees serve as CA team members, participation on PWS and MEO teams would provide a means of satisfying the requirements for consultation and participation. It is also noted that there is nothing contained in the criminal conflict of interest statutes, the Procurement Integrity Act (41 U.S.C. 423), or the government-wide Standards of Ethical Conduct for Executive Branch Employees (5 CFR part 2365) that prohibits agency management from allowing union representatives to serve as CA team members. In fact, such participation would likely be viewed as consistent with the spirit of Executive Order 12871, “Labor Management Partnerships,” which requires agencies to involve employees and their union representatives as full partners with management representatives to identify problems and craft solutions to better serve the agency’s customers and mission. The same union member is not normally assigned to both the PWS and MEO teams, nor should information be shared between these two teams.

Certain actions are performed in Step 1 to facilitate planning for and timely completion of the study. Educating employees about the A-76 competitive sourcing process and sharing information regarding the study process and potential outcomes can help ease employee concerns. Union participation in the VTCs, on the PWS and MEO teams, and in communications forums delineated in the Communication Plan, is deemed to satisfy 10 U.S.C 2467(b). This participation also offers the opportunity to consider employee feedback in the A-76 process. Regardless of satisfying legal requirements, the CA Program Manager is directly involved to ensure open communication with employees, their representatives, affected ISSA providers, and the local community.

Create a CA Team - The Contractor shall provide support to Treasury bureau executives and Personnel Offices in forming CA teams that have the necessary skills to conduct an A-76 study. Many of the individuals working on the A-76 study will only be needed on a part-time or *ad hoc* basis. Because of the large number of skills sets needed to conduct an effective A-76 study, the Contractor shall provide estimates of the amount of time needed by various skill categories. The CA team may include individuals or Contractors with the following skills and abilities:

- CA Program Manager;
- CA Team Leader;

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- Management analysts with expertise in the functional area under study;
- Organizational analysis;
- Work measurement ;
- Strategic HR;
- Position classification;
- Contract administration;
- Cost and price analysis;
- Productivity improvement;
- Business process reengineering;
- Activity modeling;
- Functional/economic analysis;
- Operations research;
- Activity-based costing;
- Benchmarking; and,
- Data modeling.

C.3.1.2.3 Sub-task 1.2.3: Define the Scope of the A-76 Study

- Define the Scope of the A-76 Study - Following the announcement that a particular function will be studied under the CA process, the Contractor shall provide support to the CA Program Manager, CA Team Leader, and the affected organization's senior management to discuss all issues surrounding the function to be studied. The Contractor shall provide support to the CA Team to establish the boundaries of the function or scope of the work under study. Where these boundaries are set is crucial to the organization's ability to perform the work regardless of the competitive outcome. In defining the scope of work, boundaries should be established in such a way that the product or service produced by the activity is adequately maintained. Analysis of the function under study shall include:
 - Identification of the elements of the organization that perform the work under study;
 - Identification of associated groups that interact and support the core function;
 - Consideration of the potential effect this study would have on the internal and external support groups to the organization.
 - ISSA services provided by a host organization or other reimbursable activity should be included as part of the scope of work, particularly when the service has a major impact on the performance of the core functions.
- Plan development of the Performance Work Statement (PWS).
- Plan development of the Quality Assurance Surveillance Plan (QASP).
- Develop data collection and analysis methodology.

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- Develop a schedule of milestones and involvement of key players throughout the process.
- Develop a Transition Plan (TP).

C.3.1.2.4 Sub-task 1.2.4: Develop a Training Plan

The Contractor shall develop a training plan, provide training materials, and conduct training sessions for CA team members, employees in functions under study, union representatives and other interested parties. These training sessions shall include training on all aspects of the A-76 process. Training shall include, but is not limited to, the following topics:

- The A-76 commercial activities process;
- The decision process;
- The PWS and QASP;
- The Management Plan;
- The appeals process; and,
- The transition process.

C.3.1.2.5 Sub-task 1.2.5: Execute Transition Plan

The Contractor shall support the Government in executing the TP. The CA team creates the TP during development of the Management Plan, in Task 4, to facilitate an efficient transition upon award of the solicitation. The TP describes how the current organization will make the changes necessary to implement the Most Efficient Organization (MEO). The TP should account for two possible outcomes: the transition to the MEO if the Government is selected for award, and the transition to contract performance if the Contractor is selected for award.

C.3.2 Task 2: Competitive Sourcing Feasibility/Business Case Analysis

The Contractor shall provide support to the Government in conducting feasibility studies and conducting business case analysis.

C.3.2.1 Sub-task 2.1: Conduct Competitive Sourcing Feasibility Studies

The Contractor shall provide support to the Government in conducting feasibility studies of recurring commercial activities to determine whether acquiring the activities under contract are warranted. Commercial activity feasibility studies shall include:

- Baseline FTEs, budgets, and supporting resources associated with the function under study.
- Performance requirements for functions under study.

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- Recommended strategy for competitive sourcing alternatives (method of procurement).
- An analysis related to commercial activities issues.

C.3.2.2 Sub-task 2.2: Competitive Sourcing Business Case Analysis

The Contractor shall support the Government in developing high-level business cases to demonstrate return on investment (ROI) or other benefits related to functions under study.

C.3.3 Task 3: Develop PWS and QASP Support

The purpose of Task 3 is to develop the Performance Work Statement (PWS) and the Quality Assurance Surveillance Plan (QASP). The PWS describes the work requirements, performance measures and standards, and time frames for performance. It is the basis for the performance-based service contract solicitation, Contractor proposals, and the Government in-house organization's Technical Performance Plan (TPP), which is based on performing the requirements, described in the PWS.

The PWS should be developed so either a Contractor or the Government's Most Efficient Organization (MEO), depending on the results of the cost comparison, can perform it. The PWS should not be overly prescriptive regarding how work is to be performed and should permit use of appropriate innovations that lead to increased efficiency and improved levels of quality.

A thorough understanding of organizational mission and a clearly worded mission statement are essential when creating a performance-based PWS. The PWS should address the need for variations in workload demand that could be required for contingency operations that may arise as a part of the organization's mission. Additionally, identifying any risks involved with performing a particular function and developing appropriate risk mitigation strategies to be included in the PWS are important responsibilities for the CA Program Manager, CA Team Leader, and the CA Team.

The QASP defines the process by which the Government evaluates the execution of the PWS, regardless of whether the service provider is a Contractor or the Government MEO. Although the QASP accompanies the PWS to the independent review official (IRO) for a cost comparison, it should not be included as a part of the solicitation or provided to private sector offerors. In-house, contract, and inter-service support agreement (ISSA) offerors should develop their offers based on the requirements of the PWS alone.

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The Contractor shall provide support to the CA Team Leader and the CA team to develop the PWS and QASP. PWS and QASP development includes the following sub-tasks:

C.3.3.1 Sub-task 3.1: Conduct Market Research

The Contractor shall provide support to the CA team to gather data and knowledge about how the function under study is accomplished in private industry. This process is intended to determine what new techniques, successful endeavors, and emerging trends exist and which of these processes or procedures can be included in the PWS and the Management Plan.

The purpose of the informal market research is to develop a detailed description of the function under study, including the means and methods of measuring performance. The objective of this data gathering is to prepare for the ensuing solicitation. This information can be applied to developing the performance standards, the PWS itself, the QASP, and the other aspects of the solicitation. During development of the Management Plan (Task 4), the information learned from private industry may be useful in developing new operating procedures to improve the quality and efficiency with which the commercial activities are performed.

Market research activities include:

- Conduct discussions with potential offerors and industry experts;
- Conduct "Industry input days" to solicit industry input to improve the content and quality of the PWS;
- Conduct direct telephone and mail solicitation;
- Advertise in the *Government's Point of Entry (GPE or FedBizOpps.gov)*;
- Research industry newspapers and trade journals;
- Conduct internet searches; and,
- Conduct research on information services databases (Gartner, Faulkner, etc.).

C.3.3.2 Sub-task 3.2: Define Present Operations

Developing the PWS begins with gathering data that define present operations. The Contractor shall provide support to the Government in developing a PWS for the function under study. Data for this effort shall include:

- Current Organization;
- Organization's mission;
- Current problem areas in the function;
- Workload;
- Staffing;
- Facilities;

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- Equipment;
- Work measures;
- Standards; and,
- Customer base.

C.3.3.3 Sub-task 3.3: Develop Performance Measures and Standards

The Contractor shall provide support to the Government in developing performance measures and standards, performance indicators, and quality levels for the function under study. Sources for developing these measures and standards at a minimum should include:

- Industry "best" practices;
- Government "best" practices;
- Historical data;
- Productivity or performance enhancement projects;
- Business process reengineering projects;
- Business case analysis;
- Industry standards;
- Customer surveys; and,
- Management input.

C.3.3.4 Sub-task 3.4: Develop the Performance Work Statement (PWS)

When all data has been gathered and analyzed, the Contractor shall provide support to the CA team to prepare the PWS, including performance measures. The PWS shall provide general information on the scope of work, where contracting products/services will be provided or located, and the performance period. The bulk of the PWS shall detail specific responsibilities of the service provider and of the CA, and shall include a list of technical attachments detailing the Government-furnished facilities, equipment (GFE), materials, and supplies.

C.3.3.5 Sub-task 3.5: Develop Quality Assurance Surveillance Plan (QASP)

The Contractor shall provide support to the CA team to develop a QASP for the function under study. The QASP shall describe the procedures to be used by the Government to ensure that the service provider—whether Government or Contractor—is meeting the minimum requirements of the PWS.

Service providers are responsible for building quality control into their processes. The QASP includes the method of inspection the Government will use, reports required, and Government resources to be employed.

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When determining the appropriate level of quality surveillance, the CA Team Leader must consider the level of risk acceptable given the relationship of the commercial activity to the organization's mission.

C.3.3.6 Sub-task 3.6: Obtain Higher Level Review of PWS and QASP

During this step, a Source Selection Advisory Council (SSAC) or other Government Advisory Board may provide review of the draft Quality Assurance Surveillance Plan (QASP) and the draft Performance Work Statement (PWS). Although this higher-level review takes place outside the immediate organization conducting the A-76 study, the Contractor shall support the CA Program Manager in facilitating this review by coordinating with the SSAC or other Government Advisory Board while the PWS and QASP are being developed and reviewed internally. The goal of this coordination is to keep the higher-level authority informed of the status of the PWS and QASP development. It also serves to convey the higher-level authority's viewpoints, via the CA Program Manager and Commercial Activity (CA) team.

C.3.4 Task 4: Develop the Management Plan Support

The purpose of Task 4 is to develop a Management Plan comprising the Most Efficient Organization (MEO) document, an In-House Cost Estimate (IHCE), a Technical Performance Plan (TPP), and a Transition Plan (TP). This Management Plan, the in-house organization's "bid," is compared to the best-value offer submitted by private industry in response to the solicitation.

Developing the Management Plan is an iterative process. The goal in creating the MEO document is to develop the best possible organization capable of performing the work defined in the Performance Work Statement (PWS). The IHCE constitutes the Government's cost estimate based on the MEO's performance of the PWS. The TPP is the Government's proposal for meeting the performance requirements of the PWS and must be based on the MEO. The TP describes the organization's plan for moving from the current organizational structure to the MEO or Contractor performance, while maintaining or improving required performance levels. Because these tasks are interrelated and developed concurrently, they can begin at any time in the process of developing the Management Plan.

The Management Plan must support the performance requirements defined in the PWS developed in Task 3. In developing the Management Plan, the Commercial Activities (CA) study can consider any previously conducted business case analyses, business process reengineering, or organizational analyses efforts. Completion of the Management Plan concludes the primary involvement of the CA team.

The Contractor shall provide support to the Government to develop a Management Plan for the function under study. Sub-tasks associated with the Management Plan include:

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- Gather and analyze data;
- Conduct data gathering interviews;
- Estimate workload requirements;
- Analyze current organizational structure and processes;
- Develop the MEO;
- Conduct mock reduction in force;
- Develop the in-house cost estimate;
- Develop the technical performance plan;
- Develop the transition plan; and,
- Develop MEO quality control procedures.

C.3.4.1 Sub-task 4.1: Gather and Analyze Data

Much of the information required to develop the Management Plan is the same as that collected during the development of the PWS and QASP. They do, however, differ in level of detail.

The Contractor shall provide support to the CA Team in the development of an interview guide to assist in defining the work of the function under study.

Before the data-gathering stage can begin, the CA team must meet and agree on an interview guide format to help ensure interviewing consistency. The CA team should establish a timeline for collecting workload data that includes time to conduct interviews, gather available data, and analyze workload data. Given that workload data may not always be readily available or may not be available in the required format, the CA team should agree to an approach for estimating workload data when necessary. The method for estimating data should be described, and an audit trail should be provided in the Management Plan.

C.3.4.2 Sub-task 4.2: Conduct Data Gathering Interviews

Interviewing employees in an activity that is the subject of the CA study can be an effective data-gathering technique. During interviews, the CA team should identify all tasks performed by employees, including any non-routine tasks, to ensure that all work is included in the workload analysis. The CA team should also identify any additional workload requirements that the activity is planning to undertake. As with the PWS, the Management Plan must comply with requirements imposed by statute or regulation in the performance of the function under study.

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C.3.4.3 Sub-task 4.3: Estimate Workload Requirements

The Contractor shall provide support to the CA team to estimate workload requirements. Workload estimating techniques that can be used include analysis of historical data, work sampling, technical estimates, and other forecasting techniques. Reviewing historical data begins with determining the data required and identifying appropriate sources. The CA team should obtain copies of previous reports or studies specifying the volume of work, resource requirements, productivity rates, performance requirements and standards, or performance times. This information can be used to define work requirements over a period of time.

In performing work sampling, the laws of probability can be applied to forecast the amount of time spent on various tasks. Using this technique, the CA team would make random observations of the work conducted over a period of time, applying random sampling to reduce the level of bias that can be introduced through sampling observations. These observations of current work can be used to determine the proportion of time dedicated to productive versus nonproductive tasks.

C.3.4.4 Sub-task 4.4: Analyze Current Organization

The Contractor shall provide support to the CA team to document the organization, as it exists at the start of the study. This profile should include a description of the organizational structure (both formal and informal), the mission and functions, staffing plans, facilities, and equipment. In developing the staffing plan for the existing organization, the CA team must identify all staff assigned to the function, including full-time and part-time Government employees, and any Contractor employees currently participating in the function under study.

C.3.4.5 Sub-task 4.5: Develop the Most Efficient Organization (MEO)

In developing the Management Plan, the CA team must describe the optimum organization, known as the MEO, to perform the work specified in the PWS. The Contractor shall provide support to the CA team in developing an MEO. Every effort shall be made to create an MEO that includes the following efficiencies:

- Improvements in operations;
- Reductions in staffing;
- Identification of impact on support areas;
- Improvements in facility layout or equipment utilization; and,
- Other ideas designed to improve performance.

Many techniques are available to the CA team in developing the MEO. The CA team should focus on innovative and creative approaches to performing the function;

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however, the MEO must be an organization that can be implemented by the Government. In developing the MEO, the Contractor shall provide support to the CA team to incorporate the latest developments in business management including:

- Business process reengineering principles;
- Technology utilization;
- Industrial engineering where applicable;
- Activity-based costing;
- Workflow diagrams;
- Business case analysis; and,
- Organizational analysis.

Because of the time constraints imposed by the A-76 timeline, the CA team can use some of these techniques in conjunction with simulation models. Creating a simulation of the MEO may help the CA team visualize the impact of changes associated with implementation of the MEO. The following are examples of information that can be used to develop the MEO:

- Organizational chart—new organizational structure required to support the MEO
- New work breakdown structure
- New workflow design
- New position descriptions and grade structures
- New performance measures
- New facilities layout and productivity-enhancing equipment
- Recommended revisions or amendments to existing contracts
- Estimates of materials and supplies needed during the performance period
- Technology or information technology (applications that could improve organizational performance if they can be funded and implemented).

C.3.4.6 Sub-task 4.6: Conduct Mock Reduction-in-Force (RIF)

After the MEO is developed, the Human Resources Officer (HRO) can conduct a mock reduction in force (RIF). The purpose of the mock RIF is to help develop the TP under both the MEO and Contractor scenarios, as well as to provide information for the IHCE.

The mock RIF assists in estimating the costs of relocation and training for affected personnel and minimizing adverse effects on employees, by planning for how to place or assist them. If the Government loses the bid, the mock RIF information will be useful in planning for the reductions in the entire in-house organization. If the Government

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wins the bid and implements the MEO, the information can be used in implementing the reductions of the affected personnel.

C.3.4.7 Sub-task 4.7: Develop the In-House Cost Estimate (IHCE)

The Contractor shall provide support to the CA team to develop the IHCE portion of the Management Plan, which details the cost of the MEO's performance of the requirements in the PWS. The IHCE is prepared using the following factors:

- Personnel costs
- Material and supply costs
- Other specifically attributable costs
 - Depreciation
 - Cost of capital
 - Rent
 - Maintenance and repair
 - Utilities
 - Insurance
 - Travel
 - MEO subcontracts
 - Other costs
- Overhead costs
- Additional costs (any other costs not included elsewhere).

The A-76 *Supplemental Handbook* states that an activity cannot be converted to contract based on a cost comparison unless a minimum cost differential is met. The minimum cost differential is the lesser of 10 percent of in-house personnel related costs or \$10 million over the period of performance. Some other costs such as one-time conversion costs and contract administration costs can be calculated and determined as part of the IHCE.

C.3.4.8 Sub-task 4.8: Develop the Technical Performance Plan

The Contractor shall provide support to the CA team to develop the Technical Performance Plan (TPP). The TPP describes how the MEO will perform the work requirements of the PWS.

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The TPP should describe the Government's technical and management approach to performing the requirements of the PWS, specifying how the performance requirements will be met, measures of performance, staffing by functional area, staffing utilization, and facilities utilization.

It also must describe how changes in the workload will be addressed in the MEO.

C.3.4.9 Sub-task 4.9: Develop the Transition Plan

The Contractor shall provide support to the CA team to develop the Transition Plan (TP). The TP describes how the current organization will make the changes necessary to implement the MEO.

The TP should account for two possible outcomes: the transition to the MEO if the Government is selected for award and the transition to contract performance if the Contractor is selected for award.

The IRS understands the sensitive nature of the A-76 process and the potential impact on its employees if the Government MEO is not selected for award. Every effort will be made to provide employees with a range of options that help IRS employees negotiate the transition process. Strategic Human Resources will work with employees on an individual basis to assist them in determining the best course of action based on the employee's individual needs. The ranges of options that may be available to affected employees are:

- Right of first refusal for jobs with the selected Contractor;
- Voluntary Early Retirement Authority - commonly referred to as "Early Out". Note that this authority is granted by the Office of Personnel Management on a fiscal year basis based on the justification of need for the authority.
- Voluntary Separation Incentive Payments -- commonly referred to as "Buyouts". Note that the IRS only has this authority through RRA98 through January 1, 2003. Previously this authority was granted government-wide.
- Vacancies within the commuting area would be offered, for which the employee qualified.
- Career Counseling. In the past this has included career counseling within the organization to have employees consider positions within the organization. A personnel specialist or career counselor would review the employee's qualifications and indicate what training would be necessary to have them qualify for additional positions. In most cases, the Service has offered that training through various means. We have also had outplacement firms under contract to provide resume writing, interviewing skills, financial planning, etc. to employees who were in positions that were jeopardized.

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- Offered grade and/or pay retention, in accordance with applicable laws and regulations, to those employees who applied and were selected for a voluntary change to lower grade; and,
- Moving expenses to those impacted employees who applied and were selected for a position outside his/her normal commuting area.

C.3.5 Task 5: Proposal Evaluation Support

The Contractor shall support the Government in conducting technical evaluations of the MEO and Contractor technical proposals submitted in response to the PWS.

C.3.6 Task 6: Independent Review Support

The Contractor shall provide Independent Verification and Validation (IV&V) of the Government's FAIR Act/A-76 program, to include process, procedures, documents and compliance issues.

To ensure that the PWS and Management Plan meets the requirements of Circular A-76, fairly presents the work to be done, and adopts the most appropriate performance metrics; these documents will be reviewed by Government and Contractor personnel. The QASP will be reviewed at the same time for compliance with Circular A-76 and use of proven, sensible, quality management methods.

C.3.6.1 Sub-task 6.1: Review PWS and QASP

The Contractor shall perform a review of the Performance Work Statement (PWS) and Quality Assurance Surveillance Plan (QASP). This review ensures that all the important issues raised during Tasks 3 and 4 have been adequately reflected in the PWS and QASP. These issues may include determining whether business-related matters have been adequately addressed, whether boundaries of the commercial activity (CA) have been adequately defined, whether the PWS is performance based and focused on desired outcomes rather than process based, and whether contingency requirements are adequately addressed.

During this step, effective communication, and coordination between the key and advisory players ensures that all these important issues are adequately dealt with in the PWS and QASP. Additionally, careful coordination within the organization facilitates the higher-level approval of the PWS and QASP.

C.3.6.2 Sub-task 6.2: Review Management Plan

The Contractor shall conduct an independent review of the Government's Management Plan. The Contractor shall determine if the data contained in the Management Plan reasonably establishes the Government's ability to perform the PWS *requirements*

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within the resources provided by the MEO. The Contractor shall determine if all costs entered on the CCF are fully justified and calculated in accordance with the procedures described in Part II of the *A-76 Supplemental Handbook*. Review of the Management Plan shall include the MEO, IHCE, TPP, and TP, along with all supporting documentation.

C.3.6.3 Sub-task 6.3: Review FAIR Act/A-76 Process

The Contractor shall perform an independent review of the Government's A-76 process contained in this SOW for compliance with OMB Circular A-76. A work request will be issued that defines the scope of the independent review requested by the Government.

C.3.7 Task 7: Post-MEO Performance Review Support

When the MEO, as a result of a cost comparison performs services, quality control and quality assurance are processes and procedures used to monitor the quality of the work performed by the MEO throughout the performance period and to prepare for the Post-MEO Performance Review. The MEO develops and implements a quality control process to ensure that quality standards are met. Government Quality Assurance Evaluators (QAE) develop quality assurance procedures to ensure that the MEO is following its established quality control process and meeting the requirements of the QASP.

The Contractor shall conduct a formal review and inspection of the MEO at the end of the first full year of performance. The review shall confirm that the MEO has been implemented in accordance with the TP, establishes the MEO's ability to perform services of the PWS, and confirms that actual costs are within the estimates contained in the in-house cost estimate. Adjustments may be made for formal mission or scope of work changes. The *A-76 Supplemental Handbook* states that Post-MEO Performance Reviews must be conducted on not less than 20 percent of the functions performed by the Government as a result of the cost comparison.

If the Post-MEO Performance Review determines that the Government has failed to implement the MEO as provided in the TP, or that the MEO is not meeting the minimum performance standards, the contracting officer will award a contract to the next lowest offeror who participated in the cost comparison. If award to the best-value contractor is not feasible, the contracting officer will immediately resolicit to conduct a revised and updated cost comparison.